

Welcome to the October edition of Eye on Reporting.

October 2019

Entities that adopted NZ IFRS 15 *Revenue from contracts with customers* often found implementation to be a significant undertaking, as the standard requires entities to make more significant judgements and estimates than they anticipated. EY has issued an updated publication on the new revenue standard, which addresses such application issues as well as views and discussions by the Joint Transition Resource Group for Revenue Recognition (TRG).

This month we are also pleased to announce the publication of our International GAAP® Disclosure Checklist applicable for entities with a year end of 31 December 2019. It captures disclosure requirements for IFRS standards and interpretations in issue at 31 August 2019.

This month's other highlights:

- ▶ The issue of our NZ IFRS Disclosure Checklist for Tier 2 For-profit entities as well as disclosure checklists for Tier 1 and Tier 2 Not-for-profit and Public-Sector Public Benefit Entities (“PBE”)
- ▶ Summaries of the latest discussions at the IFRS Interpretations Committee and the IASB on uncertain tax positions and interest rate benchmark reforms amendment
- ▶ EY’s Applying IFRS analysis of accounting for crypto currencies and accounting for leases in a joint operation under IFRS 16 *Leases*

## What's new from EY?



### [Applying IFRS: A closer look at IFRS 15, the revenue recognition standard \(Updated September 2019\)](#)

Our updated issue of Applying IFRS includes important changes to address evolving application issues arising from IFRS 15 *Revenue from Contracts from Customers*. It is intended for use by entities that have adopted IFRS 15 and those that are still in the process of adopting.

The revenue standard, which was jointly developed by the IASB and US FASB, creates a comprehensive source of revenue requirements for all entities in all industries. Our updated publication analyses the revenue recognition standard, expanding our discussion of certain topics, including recent developments from the IASB and IFRS Interpretations Committee.



### [International GAAP® Disclosure Checklist - IFRS in issue at 31 August 2019](#)

This edition of the checklist is applicable for entities with a year end of 31 December 2019. It captures disclosure requirements for IFRS standards and interpretations in issue at 31 August 2019.

The online checklist is also available to audit clients through EY Intelligent Checklists. The new Smart Automation solution is accessible by audit clients from the organisation’s EY Online portal.

For non-audit clients, the original online checklist remains available from our Online GAAP checklist platform. The online checklist tools are available in a subscription-based version that includes links to IFRS and a free version that omits those links. For details, see [www.ey.com/checklist](http://www.ey.com/checklist).



### [IFRS Update of standards and interpretations in issue at 30 September 2019](#)

IFRS Update is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRS IC as at 30 September 2019, that will be effective for the first time for reporting periods ended at that date or thereafter. It also summarises key features of selected IASB projects and recent IFRS IC agenda decisions.



### **[NZ IFRS Disclosure Checklist for Tier 2 For-profit entities](#)**

This checklist is designed to assist you in the preparation of financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), as issued by the New Zealand Accounting Standards Board (NZASB), and in compliance with the disclosure requirements of NZ IFRS RDR.

The checklist is based on NZ IFRSs in issue at 30 June 2019 and is applicable to 30 June 2019 year ends.

For later year ends, it may not be applicable, depending on the relevant year end and whether standards and amendments that were not effective for 30 June 2019 year-end have become effective.



### **[Disclosure checklists for Tier 1 and Tier 2 Not-for-profit and Public-Sector Public Benefit Entities \(“PBE”\)](#)**

These checklists are designed to assist you in the preparation of financial statements in accordance with PBE Standards as applicable to Tier 1 and Tier 2 PBEs under XRB A1 Accounting Standards Framework (XRB A1) issued by the External Reporting Board (XRB).

They are applicable for Tier 1 and Tier 2 Public Sector and Not-for-Profit PBEs respectively. The checklists are based on PBE Standards in issue at 28 February 2019, and effective for entities with a year-end of 30 June 2019.

For later year ends, they may not be applicable, depending on the relevant year end and whether standards and amendments that were not effective for 30 June 2019 year-end have become effective.

### **[Disclosure checklist for Tier 2 Public Sector and Not-for-Profit PBEs June 2019](#)**

### **[Disclosure Checklist for Tier 1 Public Sector and Not-for-Profit PBEs June 2019](#)**



### **[Applying IFRS - Accounting for leases relating to a joint operation](#)**

This publication explores some of the accounting considerations for lease arrangements in a joint operation between lead operators and the other joint operators (often referred to as the non-operator parties).



### **[IFRS Developments issue 153 - Presentation of liabilities or assets related to uncertain tax positions](#)**

In September 2019, the IFRS Interpretations Committee published an agenda decision on the presentation of liabilities or assets related to uncertain tax treatments. It concluded that an entity is required to present uncertain tax liabilities as current tax liabilities or deferred tax liabilities, and uncertain tax assets as current tax assets or deferred tax assets. Therefore, it will no longer be possible to include such balances within another line item such as provisions. Learn more in our latest issue of IFRS Developments.



### **[IFRS Developments Issue 152: IBOR reform: publication of the phase 1 amendments and commencement of phase 2](#)**

On 26 September 2019, the IASB published Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 (the amendments). This concludes phase one of the IASB’s work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The IASB is now focusing on phase two of its project to deal with issues that may arise when an existing interest rate benchmark is replaced with an RFR. Learn more in our latest issue of IFRS Developments.



### **[Applying IFRS - Accounting by holders of crypto-assets \(Updated September 2019\)](#)**

This updated publication considers the accounting by the holders of crypto-assets. It examines the classification, initial recognition and subsequent measurement of crypto-assets held, as well as considerations for appropriate disclosure. It also looks at standard-setter developments that may affect the accounting and has been updated for the recent IFRS IC’s agenda decision on accounting for crypto-currencies and now includes considerations for crypto-assets held by custodians.

**Please note that some of the above publications are based on 'pure' IFRS, and do not cover New Zealand additional disclosure requirements.**

## IFRS news and other NZ specific updates: for-profit entities

### **IASB Update September 2019**

The International Accounting Standards Board (IASB) met in September 2019 and discussed a range of issues including the following.

- ▶ Implementation Matters-Onerous Contracts
- ▶ Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- ▶ Business Combinations under Common Control.
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Interest Rate Benchmark Reform
- ▶ Rate-regulated Activities
- ▶ Management Commentary

For more information on the above topics and decision reached by the IASB, please click [here](#).

### **2019 Omnibus amendments to NZ IFRS**

In September 2019, the External Reporting Board ("XRB") approved for issue the 2019 Omnibus Amendments to NZ IFRS (the Omnibus), which amends NZ IFRS 1, NZ IFRS 7, NZ IFRS 10, NZ IAS 26, NZ IAS 28, NZ IAS 39 and FRS-44.

The amendments include the following changes.

- ▶ Amendments to NZ IFRS 10 *Consolidated Financial Statements* and NZ IAS 28 *Investments in Associates and Joint Ventures*:  
The effective date of the amendments in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) is deferred to annual periods beginning on or after 1 January 2025.
- ▶ Amendments to FRS-44 *New Zealand Additional Disclosures*:  
If an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued, entities are required to disclose the information specified in paragraphs 30 and 31 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS, which state the required disclosures when an entity has not applied a new NZ IFRS that has been issued but is not yet effective.

Other minor editorial corrections were also made. The Omnibus will be applicable for annual reporting periods beginning on or after 1 January 2020.

### **September 2019 IFRIC Update**

IFRIC Update is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. The agenda decisions reached by the Committee in its September meeting include the following.

- ▶ Compensation for Delays or Cancellations (IFRS 15 Revenue from Contracts with Customers) — Agenda Paper 5:  
The Committee concluded that in a situation where legislation gives a flight passenger (customer) the right to be compensated by the flight provider (entity) for delays and cancellations subject to specified conditions (amount of compensation is unrelated to the amount the customer pays), the legislation creates enforceable rights and obligations, and any compensation is considered to be variable consideration. Accordingly, the entity applies the requirements in paragraphs 50–59 of IFRS 15 in accounting for its obligation to compensate customers for delays or cancellations rather than IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

► Lessee's Incremental Borrowing Rate (IFRS 16 Leases) — Agenda Paper 8:

The Committee received a request about the definition of a lessee's incremental borrowing rate (IBR) in IFRS 16. The query raised was whether a lessee's incremental borrowing rate is required to reflect the interest rate in a loan with both a similar maturity to the lease and a similar payment profile to the lease payments. The definition of a lessee's incremental borrowing rate in IFRS 16 does not explicitly require this. Nonetheless, the Committee observed that, it would be consistent with the intentions behind developing the definition of incremental borrowing rate for a lessee, to refer as a starting point to a readily observable rate for a loan with a similar payment profile to that of the lease.

## IPSAS news and other NZ specific updates: public benefit entities

### ***Uncertainty over income tax treatments (Amendments to PBE IAS 12) approved for issue***

This standard was approved for issue in August 2019 and incorporates into PBE IAS 12 *Income Taxes* the guidance from NZ IFRIC 23 *Uncertainty over Income Tax Treatments*.

The amendments clarify how to apply the recognition and measurement requirements in PBE IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. In such cases, an entity is required to recognise and measure its current or deferred tax asset or liability applying the requirements in PBE IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this guidance.

The amendments are effective for periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

## On the horizon

Below are recent proposals that are currently open for comment to the NZASB, IASB and/or IPSASB. Please refer to the current exposure draft section on the XRB website for more details ([www.xrb.govt.nz](http://www.xrb.govt.nz)).

Standard/Exposure Draft	Comments due to NZASB/XRB by	Comments due to IASB by	Comments due to IPSASB by
<a href="#">Discussion Paper - Targeted Review of the New Zealand Accounting Standards Framework</a>	15 November 2019		
<a href="#">IASB ED 2019/5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)</a>	Comment period closed	14 November 2019	
<a href="#">NZASB ED 2019-4 Withdrawal of PBE FRS 46 (Proposed amendments to PBE FRS 47)</a>	31 January 2020		
<a href="#">NZASB ED 2019-3 Amendments to PBE IFRS 17 (Not -for-profit PBEs ONLY)</a>	19 November 2019		
<a href="#">IPSASB ED 69 Public Sector-specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments</a>	15 November 2019		31 December 2019

## Contacts

For more information on any of the points raised in this newsletter, please contact a member of EY Financial Accounting Advisory Services Team:

Graeme Bennett - Partner, Auckland	+64 274 899 943
David Pacey – Associate Partner, Auckland	+64 212 425 716
Lara Truman - Associate Partner, Wellington	+64 274 899 896
Charis Halliday – Associate Director, Wellington	+64 275 543 047
Alex Knyazev – Senior Manager, Auckland	+64 218 53 152
Yulia Bogatova – Senior Manager, Auckland	+64 274 899 408

The information contained in this newsletter does not constitute advice and should not be relied upon as such. Professional advice should be sought prior to action being taken on any of the information.

[Manage my subscriptions](#) || [Manage my topics of interest](#) || [Update my contact information](#)

**EY | Assurance | Tax | Transactions | Advisory**

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via [ey.com/privacy](http://ey.com/privacy). For more information about our organization, please visit [www.ey.com](http://www.ey.com).

© 2019 Ernst & Young, New Zealand.  
All Rights Reserved.

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.

### Privacy

EY collects your personal information in order to provide you with relevant updates, research, invitations and materials about our services. Without this information we cannot provide these services and communications to you. We use tools which can track and collect statistics on recipient activity to enhance the quality of the marketing services we provide to you. We do not disclose your personal information to third parties and protecting your privacy is very important to us. You may gain access to your personal information in most instances, obtain a copy of our Privacy Policy Statement (which is also available on our website at <http://www.ey.com/NZ/en/About-us/Privacy-Policy-statement>), or request further information from us, by contacting The EY Oceania Privacy Leader, General Counsel's Office, Ernst & Young, 680 George Street, Sydney NSW 2000, T +612 9248 5555, F +612 9248 5959, [www.ey.com/au](http://www.ey.com/au).

To unsubscribe from future communications please [click here](#)